1. CORPORATE INFORMATION

AV Concept Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, the Cayman Islands, British West Indies and its principal place of business is located at 6th Floor, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong.

The principal activity of the Company is investment holding. During the year, the Group was involved in the following principal activities:

- Marketing and distribution of electronic components; and

- Design, manufacture and sale of electronic products.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for listed equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the Group's share of the financial statements of its jointly-controlled entity for the year ended 31 March 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The results of the jointly-controlled entity are proportionately consolidated. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 27, 28, 33, 36, 37, HKAS 39 Amendment and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leashold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a financial lease in property, plant and equipment.

In the opinion of the directors, the lease payments of the Group cannot be allocated reliably between the land and buildings elements, therefore, the entire lease payments are included in the cost of land and buildings and are amortised over the remaining lease terms.

This change in accounting policy has had no material impact on the Group's financial statements.

(b) HKAS 31 – Interests in Joint Ventures

HKAS 31 allows the use of the proportionate consolidation method to account for interests in joint ventures. As detailed in note 16 to the financial statements, the Group disposed of a 50% equity interest in a wholly-owned subsidiary to an independent third party during the year. Upon the completion of the disposal, the remaining 50% equity interest in that entity was accounted for as an interest in a jointly-controlled entity. As a result, the Group has elected to apply the proportionate consolidation method to account for its interest in its jointly-controlled entity. The adoption of this new accounting policy has resulted in the Group recognising a proportionate share of the jointly-controlled entity's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. The above change has had no impact on the Group's net assets and profit for the year.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(c) HKAS 32 and HKAS 39 – Financial Instruments

In prior years, the Group classified its investments in equity securities as long term investments, which were held for non-trading purposes and were stated at cost less any impairment losses on an individual basis. Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 in the amount of HK$7,417,000 were designated as available-for-sale equity investments under the transitional provisions of HKAS 39 and accordingly were stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment. In accordance with the transitional provisions of HKAS 39, which were further revised in January 2006, an adjustment to the previous carrying amount has been credited to the available-for-sale equity investment revaluation reserve as at 1 April 2005.

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and these investments were stated at their fair values on an individual investment basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 in the amount of HK$89,724,000 were designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly were stated at fair value with gains or losses being recognised in the income statement.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(d) HKAS 38 – Intangible Assets

In prior years, the Group's other assets represented golf club membership held on a long term basis and they were stated at cost less impairment losses, on an individual asset basis. Upon the adoption of HKAS 38, the one-off membership fee does not provide the Group with a contractual right to receive cash or another financial assets from the club. It represents a resource from which future economic benefits are expected to flow to the Group. As a result, the membership fee should therefore be accounted for as an intangible asset in accordance with HKAS 38 prospectively from 1 April 2005. The comparative amounts in this connection have not been restated. This change in accounting policy has had no effect on the measurement of the asset.

The effects of the above change in classification are summarised in note 2.4 to the financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(e) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 2.5 "Summary of significant accounting policies" below.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to options granted to employees after 7 November 2002 but which had vested before 1 April 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 March 2005 but had not yet vested as at 1 April 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 March 2004 and at 31 March 2005.

(f) HKFRS 3 – Business Combinations

In prior years, goodwill arising on acquisitions prior to 1 April 2001 were eliminated against the consolidated retained profits in the year of acquisition and were not recognised in the income statement until disposal or impairment of the acquired businesses.

Upon the adoption of HKFRS 3, goodwill previously eliminated against consolidated retained profits remains eliminated against consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs that are not mandatory for these financial statements. The Group has not early applied these HKFRSs in these financial statements. The following new and revised HKFRSs, although not early adopted by the Group, will have impact on the Group's financial statements in the period of initial application.

HKAS 1 Amendment	Capital Disclosures
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 April 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1 April 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18. The initial adoption of the amendments to HKAS 39 regarding financial guarantee contracts is expected to result in the recognition of a financial liability in the Company's balance sheet in respect of corporate guarantees given by the Company in connection with banking facilities granted to subsidiaries.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) **Effects on the consolidated balance sheet**

	Effect of adopting			
At 1 April 2005	**HKASs 32# and 39***	**HKAS 38***	**HKAS 39***	
Effect of new policies (Increase/(decrease))	**Change in classification of equity investments**	**Change in classification of golf club membership**	**Fair value adjustment of available-for-sale equity investments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets:				
Intangible assets	–	2,070	–	2,070
Available-for-sale equity investments	7,417	–	60,929	68,346
Long term investments	(7,417)	–	–	(7,417)
Other assets	–	(2,070)	–	(2,070)
Equity investments at fair value through profit or loss	89,724	–	–	89,724
Short term investments	(89,724)	–	–	(89,724)
				60,929
Equity:				
Available-for-sale equity investment revaluation reserve	–	–	60,929	60,929
				60,929

Adjustments/presentation taken effect retrospectively

* Adjustments taken effect prospectively from 1 April 2005

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) **Effects on the consolidated balance sheet** *(continued)*

	Effect of adopting			
At 31 March 2006	**HKAS 31**	**HKASs 32 and 39**	**HKAS 38**	
Effect of new policies (Increase/(decrease))	**Proportionate consolidation of a jointly-controlled entity**	**Change in classification of equity investments**	**Change in classification of golf club membership**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets:				
Property, plant and equipment	17,953	–	–	17,953
Intangible assets	–	–	2,044	2,044
Interest in a jointly-controlled entity	(16,051)	–	–	(16,051)
Available-for-sale equity investments	–	68,484	–	68,484
Long term investments	–	(68,484)	–	(68,484)
Other assets	–	–	(2,044)	(2,044)
Due from a jointly-controlled entity	(3,660)	–	–	(3,660)
Equity investments at fair value through profit or loss	–	138,294	–	138,294
Short term investments	–	(138,294)	–	(138,294)
Inventories	1,176	–	–	1,176
Trade receivables	2,838	–	–	2,838
Prepayments, deposits and other receivables	746	–	–	746
Cash and bank balances	1,653	–	–	1,653
				4,655
Liabilities/equity:				
Trade payables and accrued expenses	1,654	–	–	1,654
Tax payable	368	–	–	368
Finance lease payables	2,009	–	–	2,009
Deferred tax liabilities	624	–	–	624
				4,655

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) Effect on the consolidated income statement for the year ended 31 March 2006

Effect of new policy	Effect of adopting HKAS 31 Proportionate consolidation of a jointly-controlled entity
	HK$'000
Year ended 31 March 2006	
Increase in revenue	14,951
Increase in cost of sales	(12,134)
Increase in other revenue	151
Increase in selling and distribution costs	(1,232)
Increase in administrative expenses	(5,105)
Increase in other operating expenses	(107)
Increase in finance costs	(35)
Decrease in tax	561
Decrease in share of loss of a jointly-controlled entity	2,950
	–

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly and indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interest in its jointly-controlled entity is accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entity' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 (continued)

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of SSAP 30 "Business Combinations" in 2001, goodwill arising on acquisition was eliminated against the consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated retained profits and is not recognised in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party to the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Leasehold land	Over the remaining lease terms
Buildings	2%
Leasehold improvements	20% – $33\frac{1}{3}$%
Furniture, fittings and office equipment	20% – $33\frac{1}{3}$%
Plant, machinery and tools	20% – 50%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) *(continued)*

Golf club membership

The Group's golf club membership is stated at cost less any impairment losses, on an individual basis.

Research and development costs and trademarks

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the estimated commercial lives of the underlying products ranging from two to five years, commencing from the date when the products are put into commercial production.

Trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life of five years.

Other assets (applicable to the year ended 31 March 2005)

Other assets held on a long term basis are stated at cost less any impairment losses, on an individual asset basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Applicable to the year ended 31 March 2005:

The Group classified its equity investments, other than subsidiaries, associates and a jointly-controlled entity, as long term investments and short term investments.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held for a continuing strategic or a long term purposes, are stated at cost less any impairment losses, on an individual basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is charged to the income statement for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the income statement to the extent of the amount previously charged.

Short term investments

Short term investments are investments in managed funds and listed equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

Applicable to the year ended 31 March 2006:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Applicable to the year ended 31 March 2006: *(continued)*

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (applicable to the year ended 31 March 2006)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets (applicable to the year ended 31 March 2006)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities (applicable to the year ended 31 March 2006)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Allowance is made for any obsolete or slow-moving items. Net realisable value is based on estimated selling prices less any estimated costs to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

(i) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) commission income, in the accounting period in which the services are provided;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on 1 April 2005 and to those granted on or after 1 April 2005.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer mandatory contributions vest fully with the employees when contributed into the MPF Scheme. The Group's employer voluntary contributions are refundable to the Group when the employee leaves employment prior to the contributions vesting fully in accordance with the rules of the MPF Scheme.

The employees of the Group's principal subsidiary, namely, AV Concept Singapore Pte. Ltd., which operates in Singapore, is required to participate in a pension scheme operated by the local municipal government. This subsidiary is required to contribute a fixed percentage of its payroll costs to the pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the pension scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections, including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rate or the growth rate assumptions in the cash flow projections, could materially affect the net present values used in impairment tests.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses carried forward, the asset balance will be reduced and charged to the income statement.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the marketing and distribution segment engages in the sale and distribution of electronic components; and

(b) the design and manufacture segment engages in the design, manufacture and sale of electronic products.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(continued)*

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2006 and 2005.

Group

	Marketing and distribution		Design and manufacture		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**2,178,874**	1,878,210	**273,356**	409,144	**–**	–	**2,452,230**	2,287,354
Intersegment sales	**34,694**	98,192	**138**	–	**(34,832)**	(98,192)	**–**	–
Other revenue	**77**	177	**3,084**	3,819	**–**	–	**3,161**	3,996
Total	**2,213,645**	1,976,579	**276,578**	412,963	**(34,832)**	(98,192)	**2,455,391**	2,291,350
Segment results	**42,826**	29,655	**(85,188)**	18,130	**–**	–	**(42,362)**	47,785
Interest income							**3,140**	1,134
Dividend income from listed investments							**1,383**	1,240
Gain on disposal of a subsidiary	**–**	–	**39,552**	–	**–**	–	**39,552**	–
Gain on disposal of an available-for-sale equity investment/ a long term listed investment							**37,473**	197,663
Fair value gains on equity investments at fair value through profit or loss							**8,036**	–
Unrealised holding loss on short term investments							**–**	(6,075)
Gain/(loss) on disposal/write-off of items of property, plant and equipment							**(4,524)**	6,771
Impairment of items of property, plant and equipment							**–**	(907)
Impairment of intangible assets							**(261)**	–
Unallocated income/(expenses)							**(7,131)**	6,161
Finance costs							**(19,075)**	(11,396)
Profit before tax							**16,231**	242,376
Tax							**(7,891)**	(32,266)
Profit for the year							**8,340**	210,110

4. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

Group

	Marketing and distribution		Design and manufacture		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**522,371**	477,525	**98,114**	319,475	**620,485**	797,000
Unallocated assets					**348,975**	253,889
Total assets					**969,460**	1,050,889
Segment liabilities	**93,435**	107,278	**22,168**	76,277	**115,603**	183,555
Unallocated liabilities					**436,741**	393,437
Total liabilities					**552,344**	576,992
Other segment information:						
Depreciation	**1,726**	2,605	**11,386**	12,420	**13,112**	15,025
Unallocated depreciation					**2,156**	1,220
					15,268	16,245
Amortisation of intangible assets	**–**	–	**852**	1,992	**852**	1,992
Other non-cash expenses	**–**	907	**938**	–	**938**	907
Unallocated non-cash expenses					**261**	–
					1,199	907
Impairment of trade receivables	**530**	1,946	**2,640**	3,029	**3,170**	4,975
Capital expenditure	**996**	3,322	**10,201**	10,368	**11,197**	13,690
Unallocated capital expenditure					**18,307**	47,566
					29,504	61,256

4. SEGMENT INFORMATION *(continued)*

Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2006 and 2005.

Group

	Hong Kong		Mainland China		Singapore		Korea		Other locations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**1,726,340**	1,710,611	**3,649**	1,557	**516,071**	315,542	**57,827**	113,996	**148,343**	145,648	**2,452,230**	2,287,354
Other segment information:												
Segment assets	**806,683**	649,066	**56,831**	284,526	**89,414**	111,669	**–**	–	**16,532**	5,628	**969,460**	1,050,889
Capital expenditure	**24,914**	54,630	**3,166**	4,951	**333**	1,643	**–**	–	**1,091**	32	**29,504**	61,256

5. REVENUE

Revenue, which is also the Group's turnover, comprises the net invoiced value of goods sold, net of returns and discounts and after eliminations of intra-group transactions, and commissions received on distribution.

	Group	
	2006	2005
	HK$'000	*HK$'000*
Marketing and distribution of electronic components	**2,178,874**	1,878,210
Design, manufacture and sale of electronic products	**273,356**	409,144
	2,452,230	2,287,354

6. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**18,276**	11,008
Interest on mortgage loan not wholly repayable within five years	**678**	206
Interest on finance leases	**121**	182
	19,075	11,396

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2006** **HK$'000**	2005 HK$'000
Cost of inventories sold		**2,259,086**	2,045,495
Depreciation	14	**15,268**	16,245
Amortisation of intangible assets*	15	**852**	1,992
Impairment of intangible assets***	15	**261**	–
Write-off of intangible assets*	15	**938**	–
Impairment of trade receivables***		**3,170**	4,975
Minimum lease payments under operating leases in respect of land and buildings		**5,178**	4,034
Auditors' remuneration		**1,630**	1,000
Impairment of items of property, plant and equipment***	14	**–**	907
Staff costs (including directors' remuneration – note 8):			
Wages and salaries		**75,572**	72,146
Pension scheme contributions		**2,289**	2,323
Less: Forfeited contributions#		**(269)**	(17)
Net pension scheme contributions		**2,020**	2,306
		77,592	74,452
Loss/(gain) on disposal/write-off of items of property, plant and equipment**		**4,524**	(6,771)
Foreign exchange differences, net***		**4,612**	(6,625)
Fair value gains on equity investments at fair value through profit or loss**		**(8,036)**	–
Unrealised holding loss on short term investments***		**–**	6,075
Dividend income from listed investments**		**(1,383)**	(1,240)
Interest income**		**(3,140)**	(1,134)

* The amortisation and write-off of intangible assets are included in "Cost of sales" on the face of the consolidated income statement.

** These items are included in "Other revenue" on the face of the consolidated income statement.

*** These items are included in "Other operating expenses" on the face of the consolidated income statement.

\# The amounts of forfeited contributions available to the Group to reduce contributions to the pension scheme in future years is not material.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Fees	**230**	230
Other emoluments:		
Salaries, housing and other allowances, and benefits in kind	**12,044**	11,236
Pension scheme contributions	**370**	362
	12,414	11,598
	12,644	11,828

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006	2005
	HK$'000	*HK$'000*
Mr. Lui Ming Wah	**100**	100
Mr. Charles Edward Chapman	**80**	80
Mr. Wong Ka Kit	**50**	50
	230	230

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Salaries, housing and other allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
2006			
Executive directors:			
Mr. So Yuk Kwan	5,384	221	5,605
Mr. Lee Jeong Kwan	3,200	–	3,200
Mr. So Chi On	1,920	72	1,992
Mr. Lai Yat Hung, Edmund	1,540	77	1,617
	12,044	370	12,414
2005			
Executive directors:			
Mr. So Yuk Kwan	4,961	214	5,175
Mr. Lee Jeong Kwan	3,000	–	3,000
Mr. So Chi On	1,440	62	1,502
Mr. Lai Yat Hung, Edmund	1,160	58	1,218
Mr. Lai Yun Wing	675	28	703
	11,236	362	11,598

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2005: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2005: one) non-director, highest paid employee for the year are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,326**	1,275

The remuneration of the remaining one (2005: one) non-director, highest paid employee fell within the band of HK$1,000,001 to HK$1,500,000.

During the year, no share options were granted to the non-director, highest paid employee in respect of his service to the Group.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates ranging from 11% to 33% (2005: 11% to 33%) in the locations in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current:		
Hong Kong – Charge for the year	**4,548**	5,044
Hong Kong – Underprovision / (overprovision) in prior years	**(296)**	95
Elsewhere – Charge for the year#	**4,978**	24,571
Elsewhere – Underprovision in prior years	**–**	172
Deferred – note 28	**(1,339)**	2,384
Total tax charge for the year	**7,891**	32,266

10. TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations in which the Company and the majority of its subsidiaries and a jointly-controlled entity are domiciled to the tax expense at the effective tax rates is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Profit before tax	**16,231**	242,376
Tax at the applicable rates to profits in the locations concerned#	**8,028**	64,946
Adjustments in respect of current tax of previous periods	**(296)**	267
Income not subject to tax	**(14,285)**	(34,975)
Expenses not deductible for tax purposes	**13,741**	1,169
Tax losses not recognised	**1,723**	867
Tax losses utilised from previous periods	**(1,020)**	(8)
Total tax charge for the year	**7,891**	32,266

The amounts include capital gains tax arising from the partial disposal of an available-for-sale equity investment/ long term listed investment in Korea *(note 19)*.

Included in the total charge for the year above is an amount of HK$561,000 related to the Group's share of tax attributable to a jointly-controlled entity *(note 18)*.

11. PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit from ordinary activities attributable to equity holders of the Company for the year ended 31 March 2006 dealt with in the financial statements of the Company was HK$28,654,000 (2005: HK$180,209,000) *(note 31(b))*.

12. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Interim – Nil (2005: HK2.8 cents) per ordinary share	–	11,342
Proposed final – HK2 cents (2005: HK16 cents) per ordinary share	**8,102**	64,813
	8,102	76,155

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit from ordinary activities for the year attributable to ordinary equity holders of the Company of HK$10,531,000 (2005: HK$210,110,000) and the 405,082,419 (2005: 405,082,419) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 March 2006 and 2005 have not been disclosed, as the share options outstanding during both years had an anti-dilutive effect on the basic earnings per share for these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings (Hong Kong)# HK$'000	Land and buildings (Outside Hong Kong)# HK$'000	Leasehold improvements HK$'000	Furniture, fittings and office equipment HK$'000	Plant, machinery and tools HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:							
At 1 April 2004	22,852	9,289	17,025	12,007	76,826	7,513	145,512
Additions	43,057	–	6,153	3,218	5,339	2,286	60,053
Disposals	(22,392)	–	(1,021)	–	(62)	(946)	(24,421)
Exchange realignment	–	146	–	44	–	48	238
At 31 March 2005 and 1 April 2005	43,517	9,435	22,157	15,269	82,103	8,901	181,382
Additions	–	15,256	1,581	970	10,915	599	29,321
Disposal of a subsidiary – *note 32*	–	–	(8,403)	(3,227)	(36,876)	(424)	(48,930)
Disposals/write-off	(460)	–	(654)	(3,433)	(8,967)	(278)	(13,792)
Exchange realignment	–	(294)	–	(94)	–	(113)	(501)
At 31 March 2006	43,057	24,397	14,681	9,485	47,175	8,685	147,480
Accumulated depreciation and impairment:							
At 1 April 2004	11,999	2,672	13,094	8,634	32,909	4,237	73,545
Depreciation provided during the year – *note 7*	646	137	2,681	1,881	9,293	1,607	16,245
Impairment during the year recognised in the income statement – *note 7*	–	907	–	–	–	–	907
Disposals	(12,132)	–	(770)	–	(62)	(868)	(13,832)
Exchange realignment	–	49	–	37	–	26	112
At 31 March 2005 and 1 April 2005	513	3,765	15,005	10,552	42,140	5,002	76,977
Depreciation provided during the year – note 7	997	164	2,116	1,121	9,581	1,289	15,268
Disposal of a subsidiary – note 32	–	–	(7,559)	(2,329)	(19,985)	(384)	(30,257)
Disposals/write-off	(106)	–	(181)	(2,815)	(4,940)	(226)	(8,268)
Exchange realignment	–	(129)	–	(82)	–	(53)	(264)
At 31 March 2006	1,404	3,800	9,381	6,447	26,796	5,628	53,456
Net carrying amount:							
At 31 March 2006	**41,653**	**20,597**	**5,300**	**3,038**	**20,379**	**3,057**	**94,024**
At 31 March 2005	43,004	5,670	7,152	4,717	39,963	3,899	104,405

As the land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

At 31 March 2006, the Group's land and buildings at cost included above are held under the following lease terms:

	Hong Kong	Outside Hong Kong	Total
	HK$'000	*HK$'000*	*HK$'000*
Freehold	–	9,141	9,141
Medium term leases	43,057	15,256	58,313
	43,057	24,397	67,454

Certain land and buildings with a carrying value of HK$37,046,000 (2005: HK$37,931,000) held by the Group were pledged to a bank to secure a mortgage loan granted to the Group *(note 25)*.

The net carrying amount of the Group's property, plant and equipment held under finance leases as at 31 March 2006 included motor vehicles of HK$1,344,000 (2005: HK$1,982,000) and plant and machinery of HK$9,177,000 (2005: HK$7,462,000). The depreciation charge for the year in respect of such assets amounted to HK$1,626,000 (2005: HK$1,948,000).

15. INTANGIBLE ASSETS

Group

	Golf club membership HK$'000	Trademarks HK$'000	Deferred development costs HK$'000	Total HK$'000
Cost:				
At 1 April 2004	–	–	4,133	4,133
Additions	–	732	471	1,203
At 31 March 2005	–	732	4,604	5,336
At 1 April 2005:				
As previously reported	–	732	4,604	5,336
Effect of adopting HKAS 38	2,070	–	–	2,070
As restated	2,070	732	4,604	7,406
Additions	–	183	–	183
Write-off	–	(880)	(4,604)	(5,484)
Exchange realignment	(26)	–	–	(26)
At 31 March 2006	2,044	35	–	2,079
Accumulated amortisation and impairment:				
At 1 April 2004	–	–	1,703	1,703
Amortisation provided during the year	–	154	1,838	1,992
At 31 March 2005 and 1 April 2005	–	154	3,541	3,695
Amortisation provided during the year	–	169	683	852
Impairment provided during the year	261	–	–	261
Write-off	–	(322)	(4,224)	(4,546)
At 31 March 2006	261	1	–	262
Net carrying amount:				
At 31 March 2006	**1,783**	**34**	**–**	**1,817**
At 31 March 2005	–	578	1,063	1,641

16. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted shares, at cost	**55,016**	55,015
Due from subsidiaries	**356,534**	364,391
Due to subsidiaries	**(15,676)**	(15,676)
	395,874	403,730
Provision for impairment	**(19,435)**	(16,564)
	376,439	387,166

The amounts due from/(to) subsidiaries included in the Company's balance sheet are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from/(to) subsidiaries approximate their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
AV Electronics Group Limited	British Virgin Islands/ Hong Kong	US$40,000	100	–	Investment holding
AV Concept (China) Industrial Co., Limited ("AVCC") *(Note (a))*	Hong Kong	HK$10,000	–	100	Investment holding
AV Concept Limited	Hong Kong	HK$2 HK$1,000,000@	– –	100 100	Trading of electronic components
AVC Technology Limited ("AVCT")	Hong Kong	HK$9,900,000 HK$100,000@	– –	100 100	Trading of electronic products
AV Concept Singapore Pte. Ltd.	Singapore	S$4,000,000	–	100	Trading of electronic components

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
AVC Manufacturing Services Limited	Hong Kong	HK$1	–	100	Procurement of electronic components
New Concept Capital Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
SIGN Limited	Hong Kong	HK$1	–	100	Brand holding
AVC Medical Technology Limited#	Hong Kong	HK$1	100	–	Trading of medical products
AVC Technology Japan, Ltd.# ("AVCJ") *(Note (b))*	Japan	JPY150,000,000	–	80	Trading of digital electronic products

Newly incorporated/established subsidiaries during the year

@ Represents deferred shares issued by AV Concept Limited and AVC Technology Limited

16. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

(a) On 25 April 2005, AVCC entered into a conditional agreement (as amended by a supplemental agreement dated 28 April 2005) (the "Agreement") with BreconRidge Manufacturing Solutions Corporation ("BreconRidge"), an independent third party entity incorporated in Canada principally engaged in the provision of electronic manufacturing services for multinational customers, to dispose of its entire equity interest in AV Chaseway Limited ("AV Chaseway"), a then wholly-owned subsidiary of the Group, in consideration for certain interests in the common shares of BreconRidge (the "Disposal"), subject to the terms and conditions as contemplated under the Agreement. Pursuant to the Agreement, the total consideration for the Disposal should not be less than US$20 million either in the form of cash and/or securities to be received from BreconRidge.

The Disposal constituted a major transaction of the Company pursuant to the Listing Rules and was approved by the Company's shareholders at an extraordinary general meeting held on 29 July 2005. Further details in relation to the Disposal are set out in the Company's circular dated 15 July 2005 (the "Circular").

The Disposal was divided into two tranches. On 1 August 2005, AVCC completed the disposal of a 50% equity interest in AV Chaseway (the "First Tranche Shares") to BreconRidge in consideration for a warrant issued by BreconRidge (the "Warrant"), which entitles AVCC to subscribe for 7.5 million common shares in BreconRidge (the "Initial Closing"). The completion of the disposal of the First Tranche Shares resulted in a gain on disposal of HK$39,552,000 which represented the difference between the value of the Warrant of HK$60,684,000 and the attributable net asset value of AV Chaseway of HK$19,000,000 as at 31 July 2005, less the direct costs of HK$2,132,000 attributable to the Disposal. The value of the Warrant was determined by the Company's directors based on the net present value of the cash consideration to be received by AVCC at the Initial Closing. Further details of the disposal of the First Tranche Shares in AV Chaseway are set out in note 32 to the financial statements.

Upon the completion of the Initial Closing, AV Chaseway was held as to 50% by AVCC and as to 50% by BreconRidge and ceased to be a subsidiary of the Group. AV Chaseway was then renamed as AV BreconRidge Limited ("AV BreconRidge") and became the Group's jointly-controlled entity. AV BreconRidge was then jointly managed and operated by both AVCC and BreconRidge pursuant to a shareholders' agreement dated 1 August 2005 entered into between AVCC and BreconRidge. The Group then used the proportionate consolidation method to account for the Group's share of assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Further details of AV BreconRidge and the terms for the disposal of the remaining 50% equity interest in AV BreconRidge are set out in note 18 to the financial statements.

(b) Subsequent to the balance sheet date, on 12 July 2006, AVCT entered into an agreement with an independent third party to dispose of its 80% equity interest in AVCJ at a total consideration of JPY1,000,000 (the "AVCJ Disposal"). The consideration for the AVCJ Disposal was determined with reference to the financial position of AVCJ as at 31 March 2006. Pursuant to the agreement, the completion of the AVCJ Disposal is conditional upon the fulfilment of certain conditions by both parties on or before 30 September 2006.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN ASSOCIATES

	Group 2006 HK$'000	Group 2005 HK$'000
Share of net assets	**386**	386
Goodwill on acquisition	**958**	958
	1,344	1,344
Provision for impairment	**(1,344)**	(1,344)
	–	–

Particulars of the associates are as follows:

Name	Particulars of issued shares/ registered capital held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group 2006	Percentage of ownership interest attributable to the Group 2005	Principal activities
Easyband Broadband Holdings Limited*	1,246 ordinary share of US$1 each	British Virgin Islands	36	36	Investment holding
Easyband Technology (Guangzhou) Co., Limited*	Registered capital HK$1,000,000	People's Republic of China	36	36	Trading of hardware and software products and the provision of broadband and related technical support services
Guangzhou Thinker E-Commerce Co., Ltd.*	Registered capital HK$9,000,000	People's Republic of China	35	35	Provision of systems integration and e-commerce related services

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

18. DUE FROM A JOINTLY-CONTROLLED ENTITY

	Group	
	2006	2005
	HK$'000	*HK$'000*
Due from a jointly-controlled entity	**3,660**	–

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The balance with the jointly-controlled entity approximates its fair value.

Particulars of the jointly-controlled entity are as follows:

		Percentage of			
Name	**Place of incorporation**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
AV BreconRidge Limited (Formerly known as AV Chaseway Limited) – *Note*	Hong Kong	50	50	50	Manufacture and trading of electronic products and internet appliances

The above investment in the jointly-controlled entity is indirectly held by the Company.

Note:

As stated in the Agreement (as defined in note 16 to the financial statements), AVCC will dispose of the remaining 50% equity interest in AV BreconRidge (the "Second Tranche Shares") to BreconRidge two years after the Initial Closing dependent upon the occurrence of the liquidity events as mentioned below (the "Final Closing").

The Final Closing is conditional upon (i) the listing of BreconRidge or the listing of any entity that has acquired the businesses or assets of BreconRidge on one or more of The Toronto Stock Exchange, the New York Stock Exchange, the NASDAQ National Market system, the AMEX Exchange, the AIM Exchange or The Stock Exchange of Hong Kong Limited; or (ii) the sale of all the shares of BreconRidge, or the sale of all or substantially all of the assets of BreconRidge, or any other transaction, that will result in AVCC being entitled to receive cash or tradable shares. Items (i) and (ii) are collectively known as the "Liquidity Events".

18. DUE FROM A JOINTLY-CONTROLLED ENTITY *(continued)*

Note: (continued)

As further stated in the Agreement, there are a number of alternatives for AVCC and BreconRidge to exit the Disposal in the event that no Liquidity Event occurs within three years from the Initial Closing. Pursuant to the Agreement, (i) AVCC can get back the 50% equity interest from BreconRidge and the Warrant will be cancelled. Under such circumstance, BreconRidge shall pay AVCC an additional amount of US$3 million in cash as the consideration for taking part in the operation of AV Chaseway during the period from the Initial Closing to the exit date; or (ii) AVCC and BreconRidge may elect to maintain the joint venture relationship by terminating the Warrant and BreconRidge has to pay US$11 million (or US$9 million if the extension fee of US$2 million has been paid) to AVCC as the consideration for acquiring the First Tranche Shares. Further details of the terms of the Warrant are set out in the Circular.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity as at 31 March 2006:

Share of the jointly-controlled entity's assets and liabilities:

	HK$'000
Non-current assets	17,953
Current assets	6,413
Current liabilities	(7,756)
Non-current liabilities	(559)
Net assets	16,051

Share of the jointly-controlled entity's result:

	HK$'000
Revenue	14,951
Other revenue	151
Total revenue	15,102
Total expenses	(18,613)
Tax	561
Loss after tax	(2,950)

19. AVAILABLE-FOR-SALE EQUITY INVESTMENTS/LONG TERM INVESTMENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investment, at fair value	**–**	7,417	**–**	7,049
Unlisted equity investments, at cost	**70,434**	1,950	**–**	–
Provision for impairment	**(1,950)**	(1,950)	**–**	–
	68,484	7,417	**–**	7,049

The above investments consist of investments in listed and unlisted equity securities which were designated as available-for-sale equity investments on 1 April 2005.

The balance as at 31 March 2006 included the Warrant of HK$60,684,000 and the unlisted equity investment in the Republic of Korea of HK$7,800,000 which is engaged in the manufacture and sale of organic light-emitting diodes ("OLED").

Warrant

As further detailed in notes 16 and 18 to the financial statements, the Warrant was issued by BreconRidge as consideration for the disposal of the First Tranche Shares by AVCC during the year. The Warrant entitles the Group to subscribe for approximately 7.5 million common shares in BreconRidge ("BreconRidge Shares"). If any of the Liquidity Events (as mentioned in note 18 to the financial statements) occurs and AVCC and BreconRidge proceed to the completion of the disposal of the Second Tranche Shares, the Warrant shall be exercisable by AVCC. However, the cash consideration or the number of BreconRidge Shares that will be received by AVCC from the sale of its equity interest in AV Chaseway may vary depending on the event triggering the Final Closing as well as the timing of such event. Further details of the terms for the Warrant are set out in the Circular.

As at 31 March 2006, the Warrant was measured at cost less impairment losses because the range of reasonable fair value estimates is so significant and the directors of the Company are of opinion that their fair values cannot be measured reliably.

As at 31 March 2006, the directors of the Company have confirmed that there was no impairment in value for the Warrant.

19. AVAILABLE-FOR-SALE EQUITY INVESTMENTS/LONG TERM INVESTMENTS *(continued)*

Investment in OLED

As at 31 March 2006, such unlisted equity investment was measured at cost less impairment losses because the range of reasonable fair value estimates is so significant and the directors of the Company are of the opinion that their values cannot be measured reliably. In view of the fact that such investment can provide the Group with access to the advanced know-how of OLED technology and the advantage of having a stable supply of high-quality full-colour OLED panels, the Company's directors are of the opinion that there was no impairment in value of such investment as at 31 March 2006.

Investment in Reigncom Limited

As at 31 March 2005, the Group and the Company held a 3.3% equity interest in Reigncom Limited ("Reigncom") which represented 440,505 shares in that company. Reigncom is a Korean company listed on the KOSDAQ Stock Exchange, Inc. ("KOSDAQ") in the Republic of Korea, and together with its subsidiaries are principally engaged in the design and sale of MP3 players and other electronic products worldwide.

During the year, the Group disposed of all the remaining Reigncom shares between 2 May 2005 and 24 May 2005 through a series of transactions for aggregate net proceeds of HK$44,890,000 (the "Reigncom Disposals"). As further detailed in notes 2.2(c) and 2.4 to the financial statements, upon the Group's initial recognition of HKAS 39 on 1 April 2005, a fair value adjustment to the previous carrying amount of the Group's Reigncom shares of HK$60,929,000 was credited on the available-for-sale equity investment revaluation reserve. Prior to the completion of the Reigncom Disposals, there was a change in fair value of HK$23,456,000, which was recognised directly in equity. The remaining amount of HK$37,473,000 was removed from equity and recognised in the income statement for the year upon the completion of the Reigncom Disposals. In connection with the gain from the Reigncom Disposals, the Group recorded an additional capital gains tax payable of HK$4,978,000 during the year.

The Reigncom Disposals constituted a discloseable transaction under the Listing Rules and further details of which are set out in the Company's circular dated 24 June 2005.

20. OTHER ASSETS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Other assets, at cost	–	2,768
Provision for impairment	–	(776)
Exchange realignment	–	78
	–	2,070

As further detailed in note 2.2 to the financial statements, the Group has prospectively applied HKAS 38 to account for its golf club membership as an intangible asset on 1 April 2005.

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/SHORT TERM INVESTMENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Managed funds, outside Hong Kong	**99,260**	67,245	**–**	–
Listed equity investments:				
Hong Kong	**29,384**	7,739	**–**	–
Elsewhere	**9,650**	14,740	**7,625**	–
	138,294	89,724	**7,625**	–

All the above investments at 31 March 2006 were classified as held for trading.

22. INVENTORIES

	Group 2006 HK$'000	Group 2005 HK$'000
Raw materials	**21,920**	53,315
Work in progress	**4,108**	10,637
Finished goods	**174,333**	212,262
	200,361	276,214

23. TRADE RECEIVABLES

Trading terms with customers vary with the type of products supplied. Invoices are normally payable within 30 days of issuance, except for well-established customers, where the terms are extended to 60 days. For customer-specific and highly specialised items, deposits in advance or letters of credit may be required prior to the acceptance and delivery of the products. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. A credit committee consisting of senior management and the directors of the Group has been established to review and approve large customer credits. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at 31 March 2006, based on invoice due date and stated net of impairment of trade receivables, is as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
Current	**158,078**	194,401
1 – 30 days	**63,512**	60,922
31 – 60 days	**18,694**	25,214
Over 60 days	**29,032**	37,240
	269,316	317,777

23. TRADE RECEIVABLES *(continued)*

Included in the Group's trade receivables is an amount due from the Group's related company of HK$985,000 (2005: Nil), which is repayable on similar credit terms to those offered to the major customers of the Group. The related company is owned as to 25% by an executive director of the Company. Such amount also represented the maximum outstanding amount during the year.

24. TRADE PAYABLES AND ACCRUED EXPENSES

An aged analysis of the trade payables as at 31 March 2006, based on invoice due date, is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables:				
Current	**47,159**	113,421	**–**	–
1 – 30 days	**37,947**	28,104	**–**	–
31 – 60 days	**346**	14,352	**–**	–
Over 60 days	**2,350**	1,607	**–**	–
	87,802	157,484	**–**	–
Accrued expenses	**27,693**	26,340	**862**	677
	115,495	183,824	**862**	677

The trade payables and accrued expenses are non-interest-bearing and are normally settled on 90-day terms.

25. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2006 HK$'000	Group 2005 HK$'000
Current				
Mortgage loan – secured	5	2007	**2,304**	2,304
Import and trust receipt loans – unsecured	1-7	2007	**376,577**	332,548
			378,881	334,852
Non-current				
Mortgage loan – secured	5	2013	**11,922**	14,226
			390,803	349,078
Analysed into:				
Bank borrowings repayable:				
Within one year			**378,881**	334,852
In the second year			**2,304**	2,304
In the third to fifth years, inclusive			**6,912**	6,912
Beyond five years			**2,706**	5,010
			390,803	349,078

The mortgage loan is secured by fixed charges over certain of the Group's leasehold land and buildings, with a net carrying amount at the balance sheet date of approximately HK$37,046,000 (2005: HK$37,931,000) *(note 14)*.

At the balance sheet date, all the Group's bank borrowings bear interest at floating rates. The carrying amounts of the Group's floating rate borrowings approximate their fair values.

26. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles, and plant and machinery for the Group's marketing and distribution, and design and manufacturing businesses. These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

At 31 March 2006, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2006 *HK$'000*	Minimum lease payments 2005 *HK$'000*	**Present value of minimum lease payments 2006 *HK$'000***	Present value of minimum lease payments 2005 *HK$'000*
Amounts payable:				
Within one year	**1,364**	2,440	**1,215**	2,332
In the second year	**1,003**	1,101	**894**	1,039
In the third to fifth years, inclusive	**1,388**	1,064	**1,256**	911
After five years	**–**	172	**–**	149
Total minimum finance lease payments	**3,755**	4,777	**3,365**	4,431
Future finance charges	**(390)**	(346)		
Total net finance lease payables	**3,365**	4,431		
Portion classified as current liabilities	**(1,215)**	(2,332)		
Non-current portion	**2,150**	2,099		

At 31 March 2006, the effective interest rate of the finance lease payables was 6% per annum.

27. OTHER LONG TERM PAYABLE

At 31 March 2005, the Group's other long term payable represented the long term portion of an amount payable for the acquisition of a sports and social club debenture.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

DEFERRED TAX LIABILITIES

Accelerated tax depreciation

	Group	
	2006	2005
	HK$'000	*HK$'000*
At beginning of year	**4,084**	1,854
Disposal of a subsidiary – *note 32*	**(1,185)**	–
Deferred tax charged/(credited) to the income statement during the year – *note 10*	**(1,339)**	2,230
At end of year	**1,560**	4,084

Deferred tax assets

Losses available for offset against future taxable profit

	Group	
	2006	2005
	HK$'000	*HK$'000*
At beginning of year	**–**	154
Deferred tax charged to the income statement during the year – note 10	**–**	(154)
At end of year	**–**	–

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

The Group has tax losses arising in Hong Kong of HK$13,535,000 (2005: HK$9,517,000) that are available indefinitely for offsetting against future taxable profits of the companies in which losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss making for some time.

29. SHARE CAPITAL

Shares

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
405,082,419 ordinary shares of HK$0.10 each	**40,508**	40,508

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

On 13 May 2002, the Company adopted a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to the executive directors of the Company and employees of the Group to subscribe for ordinary shares in the Company. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including the independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 13 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the ordinary shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

30. SHARE OPTION SCHEME *(continued)*

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than the expiry date of the Scheme.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	Number of share options							
Name or category of participant	At 1 April 2005	Cancelled during the year	Lapsed during the year	At 31 March 2006	Date of grant of share options *(Note 1)*	Exercise period of share options (both dates inclusive)	Exercise price of share options *(Note 2)* HK$	Company's share price at grant date of share options *(Note 3)* HK$
Directors								
Lee Jeong Kwan	2,000,000	–	–	2,000,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
So Chi On	400,000	–	–	400,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
Sub-total	2,400,000	–	–	2,400,000				
Other employees								
In aggregate *(Note 4)*	11,150,000	(500,000)	(4,350,000)	6,300,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
Total	13,550,000	(500,000)	(4,350,000)	8,700,000				

No share options were granted or exercised during the year.

30. SHARE OPTION SCHEME *(continued)*

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

3. The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

4. This includes 1,000,000 and 500,000 share options held by Mr. Lai Yun Wing and Mr. Lai Yat Hung, Edmund, who resigned as executive directors of the Company on 1 April 2005 and 1 March 2006, respectively.

At the balance sheet date, the Company had 8,700,000 share options outstanding under the Scheme, which represented approximately 2.15% of the Company's shares in issue as at that date. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 8,700,000 additional ordinary shares of the Company and additional share capital of HK$870,000 and share premium of HK$12,354,000 (before issue expenses).

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 34 and 35 of the financial statements.

31. RESERVES *(continued)*

(b) Company

	Notes	Share premium account HK$'000	Available-for-sale equity investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2004		156,300	–	12,491	8,983	177,774
Profit for the year	*11*	–	–	–	180,209	180,209
Interim 2005 dividend	*12*	–	–	–	(11,342)	(11,342)
Proposed final 2005 dividend	*12*	–	–	–	(64,813)	(64,813)
At 31 March 2005		156,300	–	12,491	113,037	281,828
At 1 April 2005:						
As previously reported		156,300	–	12,491	113,037	281,828
Opening adjustment	*2.4*	–	60,929	–	–	60,929
As restated		156,300	60,929	12,491	113,037	342,757
Changes in fair value of an available-for-sale equity investment	*19*	–	(23,456)	–	–	(23,456)
Released upon disposal of an available-for-sale equity investment	*19*	–	(37,473)	–	–	(37,473)
Profit for the year	*11*	–	–	–	28,654	28,654
Proposed final 2006 dividend	*12*	–	–	–	(8,102)	(8,102)
At 31 March 2006		156,300	–	12,491	133,589	302,380

In accordance with the Companies Law (2004 Revision) of the Cayman Islands, the Company's share premium account is distributable in certain circumstances.

32. DISPOSAL OF A SUBSIDIARY

As further detailed in note 16 to the financial statements, AVCC disposed of its 50% equity interest in AV Chaseway in two tranches in consideration for certain interests in the common shares of BreconRidge. Further details of the Disposal are set out in notes 16 and 18 to the financial statements.

	Notes	**2006**	2005
		HK$'000	*HK$'000*
Net assets disposed of:			
Property, plant and equipment	*14*	**18,673**	–
Prepayments, deposits and other receivables		**787**	–
Cash and bank balances		**4,144**	–
Accrued expenses		**(2,086)**	–
Tax payable		**(368)**	–
Finance lease payables		**(965)**	–
Deferred tax liabilities	*28*	**(1,185)**	–
		19,000	–
Gain on disposal of a subsidiary	*16*	**39,552**	–
Costs attributable to the Disposal		**2,132**	–
		60,684	–
Satisfied by:			
Warrant	*19*	**60,684**	–

An analysis of net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2006	2005
	HK$'000	*HK$'000*
Cash and cash equivalents disposed of and net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(4,144)**	–

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) During the year, the Group entered into finance lease arrangements in respect of items of property, plant and equipment with a total capital value at the inception of the leases of HK$1,887,000 (2005: HK$1,451,000).

(b) As further detailed in notes 16 and 32 to the financial statements, the disposal of a 50% equity interest in AV Chaseway did not result in any further cash flow to the Group other than the cash and bank balances of HK$4,144,000 being disposed of.

34. CONTINGENT LIABILITIES

At 31 March 2006, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given in respect of facilities granted to:				
Subsidiaries*	**–**	–	**995,287**	943,902
A supplier	**–**	14,820	**–**	–
Bills discounted with recourse	**–**	4,212	**–**	–
	–	19,032	**995,287**	943,902

* At 31 March 2006, an amount of HK$470,866,000 (2005: HK$395,186,000) had been utilised.

35. LITIGATION

On 31 October 2005, a writ of summons was filed by a former customer (the "Plaintiff") against AVCT in respect of a dispute on goods sold and delivered, and the distribution agreement entered into between the Plaintiff and AVCT. The total claim filed against AVCT was approximately HK$31.3 million.

AVCT has sought legal advice from the Company's legal counsel on the claim. On 18 November 2005, AVCT repaid a total amount of approximately HK$3.2 million to the Plaintiff which represented the outstanding amount due by AVCT in respect of certain returned goods collected from the Plaintiff. The total claim against AVCT remaining unsettled as at 31 March 2006 amounted to approximately HK$28.1 million. Based on the advice of the Company's legal counsel, the Company's directors believe that AVCT has a meritorious defence against the remaining claim from the Plaintiff. The Company's directors therefore are of the opinion that the claim is unlikely to succeed. As a result, they consider that the claim will not cause any significant impact on the operations and financial position on the Group as a whole. Accordingly, no provision has been made in the Group's financial statements as at 31 March 2006.

36. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its factory buildings and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years.

At 31 March 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**2,959**	4,063
In the second to fifth years, inclusive	**4,939**	7,731
After five years	**–**	210
	7,898	12,004

At 31 March 2006, the Company had no operating lease arrangements (2005: Nil).

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following commitments at the balance sheet date:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Capital commitments on the acquisition of items of property, plant and equipment, contracted for	**1,553**	788

At 31 March 2006, the Company had no significant commitments (2005: Nil).

38. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
	Notes	**2006**	2005
		HK$'000	*HK$'000*
Jointly-controlled entity:*			
Sales of products	*(i)*	**103**	–
Purchases of products	*(ii)*	**5,142**	–
Management fee income	*(iii)*	**687**	–
Related company:			
Sales of products	*(iv)*	**985**	–

* The Group has proportionately consolidated 50% of the transactions with its jointly-controlled entity in its consolidated income statement.

38. RELATED PARTY TRANSACTIONS *(continued)*

(a) *Notes:*

(i) The sales of products to the jointly-controlled entity were made according to the published prices and conditions offered to the major customers of the Group, except that no fixed credit period was granted to the jointly-controlled entity.

(ii) The purchases of products from the jointly-controlled entity were made according to the published prices and conditions offered by the jointly-controlled entity to its major customers, except that no fixed credit period was granted.

(iii) The management fee income was charged at HK$80,000 per month.

(iv) The above related company is owned as to 25% by an executive director of the Company. The sales to the related company were made according to the published prices and conditions offered to the major customers of the Group.

(b) Compensation of key management personnel of the Group

The Group's key management personnel are the executive directors of the Company, further details of their compensation are included in note 8(b) to the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, finance leases payables, cash and bank balances, and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

Foreign currency risk

The Group's foreign currency exposures are minimal in view of the natural hedge between costs and revenues which are both denominated primarily in United States dollars. The Group does not have any significant exchange rate exposures to the Hong Kong dollars, Renminbi, Singapore dollars, Japanese Yen, and European Euro.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval from the Group's credit committee.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, other interest-bearing loans and finance leases. The Group's accounting department monitors the Group's cash flow positions on a regular basis to ensure that the cash flows of the Group are always positive.

40. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, an opening balance adjustment has been made and certain comparative amounts have been reclassified to conform with the current year's presentation and accounting treatment.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 July 2006.